

December 23, 2025

Joe Stephenshaw, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Government Operations submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Alicia Albornoz, Assistant Equity Officer, at (916) 327-5410, alicia.albornoz@govops.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The Government Operations Agency (GovOps) was established July 1, 2013, as the result of the Governor's Reorganization Plan No. 2, which consolidated, eliminated and created several new state departments and agencies. GovOps is under the management of an executive officer known as the Secretary. The Secretary is a member of the Governor's Cabinet and is appointed by the Governor. The Secretary advises the Governor on significant operational, policy and programmatic matters in addition to providing oversight to thirteen state entities. Three of the entities are control agencies that have broad authority over statewide operations. The appointment of the Secretary is subject to confirmation by the Senate. The Secretary serves as the Chair of the California Building Standards Commission and the California Victim Compensation Board. The Secretary also sits on the Middle-Mile Advisory Committee.

The mission of GovOps is to advance effectiveness, efficiency, and equity in state operations. The GovOps website states these priorities.

The entities that report to GovOps are responsible for overseeing state purchasing, procurement and information technology projects, managing and developing the state's real estate assets, ensuring the security of state information assets and other data; administering the state's sales and use tax, fuel, tobacco, cannabis and other taxes; collecting state income tax revenues; managing pension funds for state and local government employees and educators; overseeing the administration of the state's hiring and employee discipline

processes; administering the Victim Compensation Program, Revenue Recovery Program, Claims of Erroneously Convicted Felons, the Good Samaritan Act, and the Missing Children Reward Program; and reviewing proposed regulations for compliance with the Administrative Procedures Act.

Current GovOps reporting entities include:

- California Department of Human Resources (CalHR): The Department of Human Resources has responsibility for all issues related to salaries and benefits, job classifications, civil rights, training, recruiting, and retaining. For most employees, many of these matters are determined through collective bargaining processes.
- California Department of Tax and Fee Administration (CDTFA): The California Department of Tax and Fee Administration administers the state's sales and use tax, fuel, tobacco, cannabis and other taxes, and collects fees to fund and administrate 37 specific state tax and fee programs. More than 13 million California businesses are registered with the department to engage in retail sales in the state.
- California Department of Technology (CDT): The Department of Technology is responsible for the approval and oversight of all state information technology projects. As the state's chief information officer, the Director of the Department of Technology provides leadership for the state's IT programs and works collaboratively with other IT leaders throughout the state.
- California Public Employees Retirement System (CalPERS): The California Public Employees Retirement System, as the nation's largest public pension fund, manages pension and health benefits for more than 1.7 million members and over 3,000 school and public employers. CalPERS' membership consists of active and inactive members, retirees, beneficiaries, and survivors from State, school, and participating public agencies. CalPERS is administered by a 13-member Board of Administration and is exempt from most of GovOps Agency control functions.
- California State Teachers' Retirement System (CalSTRS): The California State Teachers' Retirement System is the largest teachers' retirement fund in the nation with membership in excess of 862,000. CalSTRS is administered by a 12-member Teachers' Retirement Board and is exempt from most of GovOps Agency control functions.
- California Victim Compensation Board (CalVCB): The California Victim Compensation Board administers the Victim Compensation Program, the Revenue Recovery Program, Claims of Erroneously Convicted Felons, the Good Samaritan Act, and the Missing Children Reward Program.
- Department of General Services (DGS): The Department of General Services serves as business manager for the state of California. DGS helps state government to better serve the public by providing a variety of services to state agencies through procurement and

acquisition solutions, real estate management and design, environmentally friendly transportation, professional printing, design and web services, and funding for the creation and construction of safe schools.

- Department of FISCAL (FI\$Cal): The Financial Information System for California enables the state to combine accounting, budgeting, cash management and procurement operations into a single financial management system. The FI\$Cal system modernized how the state of California manages its finances and is one of the largest and most dynamic IT and business-transformation undertakings in California's history.
- Franchise Tax Board (FTB): The Franchise Tax Board is responsible for administering two of California's major tax programs: Personal Income Tax and Corporation Tax. The FTB also has responsibility for administering the Homeowner and Renter Assistance program, and other non-tax programs and delinquent debt functions.
- Office of Administrative Law (OAL): The Office of Administrative Law is responsible for ensuring that agency regulations are clear, necessary, legally valid, and available to the public. OAL reviews administrative regulations proposed by over 200 state entities for compliance with the standards set forth in California's Administrative Procedure Act, for transmitting these regulations to the Secretary of State, and for publishing regulations in the California Code of Regulations.
- Office of Cradle-to-Career Data (C2C): The Office of Cradle-to-Career Data is responsible for creating a statewide data system that will provide tools to help students reach their goals and deliver information on education and workforce outcomes. C2C connects individuals and organizations with trusted information and resources, providing insights into critical milestones in the pipeline from early care to K-12 to higher education, skills training, and employment.
- Office of Data and Innovation (ODI) works with state agencies and departments to reimagine the processes, policies, and technology systems that problems are rooted in. ODI uses people-centered design and technology to deliver more equitable, effective services to Californians.
- State Personnel Board (SPB): The State Personnel Board is a five-member board, created in the state constitution, charged with adopting civil service rules and regulations.

Control Environment

The Agency Secretary leads a team of executives and establishes and demonstrates integrity and ethical values in the daily operations of GovOps. Oversight of GovOps' internal control system is the responsibility of Secretary and Undersecretary. These two Executives establish an organizational structure, assign responsibility, and delegate authority. All levels of management recruit, develop, and maintain a competent workforce. Internal workload,

including the oversight of GovOps reporting departments' performance is routinely valuated. Accountability is enforced through routine assessment of responsibilities and outcomes. Oversight of the work performed occurs during regularly scheduled meetings with the appropriate supervisor and team members. The agency's systematic review process includes, but is not limited to, weekly GovOps staff meetings, one-on-one meetings between the Undersecretary and Deputy Secretaries, and monthly meetings with Department Directors. Regularly scheduled meetings occur to discuss emerging risks and issues. GovOps' executive team issues guidance to departments and meets with leadership of the departments to assess and discuss potential mitigation strategies. The following outlines the general process for GovOps' control environment:

1. During regularly scheduled meetings, assessment of internal and external risk and control is assigned to the appropriate GovOps executives.
2. GovOps reviews compliance and performance along with fiscal controls for the agency and its reporting departments.
3. Mitigation plans are developed and monitored through follow-up briefings and discussions within GovOps and communicated to the appropriate department.
4. The Secretary and Undersecretary provide oversight to ensure appropriate levels of responsibility and authority are assigned and the ongoing effort to achieve objectives and respond to risks are implemented.

Information and Communication

GovOps communicates information necessary to achieve its objectives through internal and external channels. Internal channels include weekly team meetings and additional meetings with each Deputy Secretary to discuss emerging issues and identify solutions. Communication occurs daily to achieve the required outcomes of agency priorities. External channels include leading or participating in a variety of meetings and forums as needed to ensure alignment between the GovOps' mission, strategic priorities and those of the departments that report to the Agency. GovOps' organizational structure has clear lines of authority and responsibility to communicate information to achieve objectives.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Government Operations monitoring practices are

implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Alicia Albornoz, Assistant Equity Officer.

GovOps operates a system to monitor risks, internal controls and evaluate the results. When risks arise, an assessment tool is in place to document control deficiencies. Mitigation strategies are designed on a timely basis to address vulnerabilities and increase likelihood of successful implementation of goals. The role of the executive monitoring sponsor includes facilitating and verifying that GovOps monitoring practices are implemented and functioning as intended. Monitoring of escalated GovOps department risks is delegated to designated Deputy Secretaries.

GovOps performance is monitored internally through frequent and routine meetings. The Agency has developed a quarterly risk assessment cadence that will allow staff to discuss emerging issues and continue to monitor mitigation strategies until an acceptable outcome is achieved.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Government Operations risk assessment process: executive management, and middle management.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, and other/prior risk assessments.

The following criteria were used to rank risks: likelihood of occurrence, and potential impact to mission/goals/objectives.

RISKS AND CONTROLS

Risk: Delays with Start Up of New Offices

In Fall 2025, three entities were established within GovOps—the Office of the California Education Interagency Council, the Office of Civil Rights, and the CalCompute Consortium. Each of these entities will need to be formed within a short period of time to ensure their success. While GovOps brings a history of experience with standing up new offices, these entities require programmatic expertise beyond the Agency's current capacity.

Appointing the Executive Directors of the two offices and members of the Consortium is foundational to advancing the entities' missions and accomplishing the duties established in the enabling legislation. Establishment of program-specific operations, including strategic planning, contracts, or Memorandums of Understanding to begin working on statutorily required deliverables is contingent on the hiring process. Further, the Office of Civil Rights was established without current year or ongoing funding, and the CalCompute Consortium's enacting legislation is contingent upon funding.

Additional operational risks include identifying office space and obtaining IT equipment and services, phones, and other basic start up supplies in a short timeframe.

Control: Control 1

Develop a recruitment plan to hire skilled staff for each entity. Coordinate with the Governor's Office to identify appointees to successfully lead these new offices.

Control: Control 2

Develop an operational plan to secure office space and obtain equipment and services for the entities.

Control: Control 3

Direct the new entities to develop operational frameworks, policies and procedures, public meeting schedules and bylaws, and office protocols that meet the business needs of the new office.

Control: Control 4

Direct the new entities' leadership to develop a strategic plan to inform contracts, Memorandums of Understanding, and other partnerships.

Control: Control 5

Coordinate with the Department of Finance to secure current year and ongoing funding as needed for the Office of Civil Rights.

Risk: Transition of the Gubernatorial Administration

The upcoming gubernatorial transition presents several operational risks for GovOps and its departments. Departures of agency heads, executive leadership or senior level staff may create gaps in institutional knowledge leading to delayed decision-making around hiring, contracting, and program operations. Existing initiatives spanning multiple years, such as hiring reforms, IT projects, and efficiencies projects, may be vulnerable to reprioritization or funding pauses, which may disrupt program operations or jeopardize timelines. Slowdowns in spending may also create challenges with adequately staffing the Agency or its departments, extending contracts or acquiring office space for new or expanding offices.

Control: Control 1

Develop a transition plan for the Agency that identifies critical information, including essential staff, budget authority, Agency priorities, work plans for each functional area within the agency, and the delegation plan for leadership approvals should executive leadership change.

Control: Control 2

Direct the 13 departments and 3 new programs reporting to GovOps to develop their own transition plans that outline, at a minimum, critical information about

the organization, executive staff, budget authority, organizational mission and priorities, and a delegation plan for leadership approvals or contacts.

Risk: Preparation for Census 2030

The California Complete Count, Census 2020 Office, under the oversight of GovOps, was decommissioned in June 2021. Since then, GovOps has retained the office's digital assets and funded web hosting through the Department of Technology to keep the Census 2020 website active. GovOps' role in the 2030 Census has not yet been decided, which may lead to readiness gaps for the entity that is ultimately charged with conducting the next media and outreach campaign, if any. A prolonged transition period may delay strategic planning, reduce the capacity for GovOps personnel to provide key insights for standing up and operating Census 2030, and inhibit timely requests for funding, if any.

Control: Control 1

Develop a plan to transition all Census-related assets to a new Census office, whether established within GovOps or designated outside of the agency.

Control: Control 2

Establish the priority of the new Administration to begin preparations for Census 2030.

CONCLUSION

The Government Operations strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Nick Maduros, Secretary

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency